

General Fund Assumptions

REVENUE ASSUMPTIONS

Revenues (overall) ...

- ❑ will grow at an average 3% annually through the planning period (2003-2007). Since 1990, on an actual basis, revenues increased an average 3.1% annually.
- ❑ are affected by moderating growth in assessed valuation and decreases in intergovernmental aid from the state (demand transfers), partially offset by increases in fines and penalties.

Current property taxes ...

- ❑ will grow at 5.4% in 2003, slowing to 3.5% annually in 2004 and through 2007. **No change in the taxing rate is assumed.**
- ❑ have been affected in recent years by aggressive annexation activity, and has been especially prevalent in the past three years. In the table below, the county growth rate is more indicative of actual growth (exclusive of annexation activity).
- ❑ relate directly to assessed valuation, which reflects the following historical budget year growth rates:

Note that countywide growth historically is slightly greater than the growth of Wichita (especially if annexation growth were excluded), and that growth has exceeded 4% only five times throughout the past ten years ñ the most recent five years. This recent growth, reflecting strong demand for housing, has been the product of low mortgage rates and strong employment growth, particularly the manufacturing segment, in 1996, 1997 and 1998. More than 17,000 jobs were added in the manufacturing sector alone over those three years. In 1999, however, total employment fell three-tenths of a percent (0.8% in manufacturing). In 2000 and 2001 combined, the manufacturing sector had a net loss of 400 jobs (0.5%), and major employers have already announced more than 8,000 lay-offs.

Year	City	County
1993	2.10%	2.80%
1994	-1.50%	-0.50%
1995	2.70%	2.70%
1996	1.10%	2.70%
1997	3.80%	4.10%
1998	4.50%	6.00%
1999	4.90%	5.10%
2000	7.90%	6.00%
2001	9.50%	7.30%
2002	5.40%	5.10%
10 yr avg	4.00%	4.10%

Based on these trends it is unlikely that assessed values will continue to increase at the recent extraordinary rates.

Franchise fees ...

- ❑ for utilities as a group are projected to decrease 3.7% in the current year from the prior year actuals, but will increase at an annual average rate of 2.7% through the planning period (2003-2007). The actual annual growth rate since 1996 has been 2.7%.
- ❑ assume normal climate and weather patterns.
- ❑ reflect increases in water and sewer fees based upon projected rate increases, as reported in the respective fund presentations.
- ❑ are projected 5.2% *less* than the adopted budget for 2002 due primarily to a 6.6% reduction in electric utility rates announced late in the fall of 2001. Electric franchise fee revenue accounts for slightly less than one-half of total franchise fee revenue. Moderate winter temperatures and significantly lower natural gas prices will result in substantially less gas franchise receipts than in 2001.

Motor vehicle property taxes ...

- ❑ received to-date from the County Treasurer are inexplicably lower than in 2001 by 7.4%. Assuming the total value of vehicles in Wichita is not less than the value in 2001 ñ especially after robust auto sales in the fall and the continuing addition of vehicles added to the Wichita tax base through annexation activity ñ the decline in year-to-date receipts is believed to be a distribution anomaly that will be corrected through the balance of the year.
- ❑ are assumed to grow an average of 3% annually through the planning period (2003-2007).

Local sales taxes ...

- ❑ are expected to increase 1.5% in 2002 and at an average 3% annually through 2007. Actual annual growth since 1995 has been 2.7%.
- ❑ are significantly affected by lower gross sales of electric and gas utilities.
- ❑ are currently 1.8% less than at the same time in 2001; however, early collections in 2001 were artificially high due to the inclusion of receipts from prior years that had been deferred by the State Department of Revenue.

Gas tax revenues ...

- ❑ are volume based on wholesale gallons sold. Recent high prices are expected to lower sales in the current year (near-zero growth). The long-term forecast assumes 1% annual growth in 2003, rebound growth of 3.8% in 2004, and an average 3% annual growth thereafter, consistent with historical trends.
- ❑ will be negatively impacted in 2002 due to the state's proposed reduction for demand transfers, which will affect a small portion of the gas tax received through the Special City and County Highway Fund.

State-shared revenues ...

- ❑ come primarily from state sales tax revenue, a statutorily-prescribed portion of which is set aside for distribution to local governments (called demand transfers). Distributions are formula based.
- ❑ will be negatively impacted in 2002 and 2003 by the state's proposed reduction of demand transfers. Demand transfers are reduced approximately 4% in the state's FY2003 budget (which straddles the City's current and next fiscal year).
- ❑ are projected constant throughout the planning period, following the state's current reduction.
- ❑ will be impacted by what the county and other cities do with regard to their tax levies (as will local sales tax and motor vehicle tax revenue). Tax levies are a major component of the distribution formulas.

Fines and penalties

- ❑ have been substantially reduced in recent years due to fewer traffic and parking citations written and by a greater incidence of delinquency. Collections were down 1.7% in 1999, 19.7% in 2000, and 7.9% in 2001.
- ❑ are expected to increase 17.5% in 2002 and 14.5% 2003 due to fine increases imposed by the Municipal Court and enhanced traffic enforcement.

Licenses and permits ...

- ❑ are budgeted to increase 3.1% annually (8.4% in the current year).
- ❑ projections are impacted by proposed permit fee increases for utility street cuts.
- ❑ will be reviewed individually to identify areas where increasing costs of enforcement and administration justify rate adjustments.

Current sales and services ...

- ❑ consist mainly of Park admission and entry fees, pavement cut activity, engineering overhead charges, Police accident report fees, and animal control services.
- ❑ are assumed to grow an average 1.8% annually through the planning period (2003-2007).
- ❑ are projected to be only slightly more (0.5%) than 2001 actual receipts based on YTD collections.

Administrative charges ...

- ❑ are designed to compensate the General Fund from non-General Fund activities for services rendered and expensed entirely from the General Fund, e.g., payroll and accounts payable functions.
- ❑ are developed annually by an external and independent accounting firm and updated during budget development.

Transfers in ...

- ❑ are reviewed during the budget process and many items are adjusted to reflect changes in costs.
- ❑ are less in 2002 due to the closing of Brooks Landfill and the suspension of several solid waste programs that were offset from Landfill transfers into the General Fund.

Interest earnings ...

- ❑ are expected to be down 9.3% in 2002 due to current market conditions.
- ❑ are calculated based on estimates of fund balance, cash flow, and available market rates.
- ❑ are expected to return to normal growth (2.5% annually from 2003-2007) as interest rates increase amidst the pending economic recovery.

Expenditures (overall) ...

- ❑ will increase 3.4% annually, slightly greater than the rate of increase for revenues through the planning period.
- ❑ are most impacted by growth-driven service requirements, the expiration of federal grants (particularly public safety grants), and personal services increases for wages and employee benefits (most notably health insurance).

EXPENDITURE ASSUMPTIONS

Personal services ...

- ❑ represent 68% of General Fund expenditures.
- ❑ are assumed to increase 4% annually between 2003 and 2007 (for base wages and wage-driven benefits such as pension, social security, and workers comp, but not including health insurance). This is a net assumption for all GPA and merit increases combined for FLSA exempt and non-exempt employees.
- ❑ assume a 12% and 20% increase in health insurance costs for 2003 and 2004, respectively. Assumptions beyond 2003 are conservatively estimated at 10% annually.

Contractuals and commodities ...

- ❑ increase substantially in the current year budget due to shifting \$1.2 million for the City's cost share of Personal Health from a transfer (other) to a contractual.
- ❑ are expected to increase 1.5% annually (combined) through the planning period (2003-2007).

Other expenditures ...

- ❑ include contributions to the joint City-County operations (Planning and Flood Control), the Transit subsidy, Economic Development, Storm Water Utility subsidy, Tort liability, Art Museum, and various capital projects.

Fund Balance (December 31) ...

- ❑ based on the assumptions shown above, will be at 15% of annual expenditures in 2002, 14% in 2003 and 2004, 12% in 2005, 10% in 2006 and 7.6% in 2007.
- ❑ will completely sustain current operating expenses, subsidies, and pending initiatives for the entire trending period.



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